

A RESOLUTION

BY COUNCILMEMBER C. T. Martin

03-R -1849

A RESOLUTION EXPRESSING THE CITY OF ATLANTA'S INTENT TO ASK THE 2004 GEORGIA STATE LEGISLATURE TO CREATE A JOINT HOUSE/SENATE STUDY COMMITTEE, TO BE APPOINTED BY THE GOVERNOR, TO STUDY THE ISSUE OF A COMMUTER TAX IN CITIES WITH A POPULATION OF 95,000 OR MORE

WHEREAS, according to 2000 Census, the City of Atlanta has a resident population of approximately 416,474; and

WHEREAS, its daytime population exceeds one million for which the City has to provide services; and

WHEREAS, such services include, but are not limited to, police, fire and emergency medical services; and

WHEREAS, this is true in most of Georgia's larger cities; and

WHEREAS, the provision of these services severely taxes these cities' budget; and

WHEREAS, it is only equitable that the costs for these services be borne, in part, by those persons who receive them.

THEREFORE BE IT RESOLVED BY THE COUNCIL OF THE CITY OF ATLANTA, GEORGIA as follows:

Section 1: That the City of Atlanta ask the Georgia State Legislature create a joint House/Senate Study Committee to study the feasibility of a commuter tax for cities with a population over 95,000 or more.

Section 2: That said study include, but not be limited to,

- (a) Area demographics,
- (b) Percentage of persons working within the corporate boundaries, but living outside those boundaries,
- (c) Comparison of income levels of those persons commuting to the cities with the incomes of city residents,
- (d) amounts of revenue that could be generated; (e) the effects of certain exemptions, as it relates to income and job type; and

(e) the number of non-city residents who travel **into** the city for jobs and the number of city residents who travel **outside the** city for jobs; and

Section 3: That said Committee be appointed by the Governor and be composed nineteen (19) persons to be representative of the political, academic, and business communities from cities with populations of 95,000 or more. Six members shall be residents of the City of Atlanta, three residents from Augusta/Richmond County, Columbus/Milledgeville County, Athens/Clarke County and the City of Savannah and one member from the City of Macon.

Section 4: That the Municipal Clerk be directed to forward a copy of this Resolution to the Chairpersons and members of the Fulton County and DeKalb County delegations to the State of Georgia House of Representatives and Senate.

POINT OF EARNINGS TAX

**A Proposal for the City of Atlanta's
2002 Legislative Package**

**Research and Analysis
Council Staff
November, 2001**

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Section 48-7-141 of the Code of Georgia states

(a) Subject to the requirement of a referendum election as provided in this article, the governing authority of each county or municipality of this state, by ordinance or resolution enacted pursuant to the procedure set forth in this article, may adopt a local income tax at the rate of 1 percent upon the entire Georgia taxable net income as defined in Code Section 48-7-27 of every resident individual of the county or municipality and of every corporation and fiduciary with respect to that portion of its Georgia taxable net income, which is reasonably attributable to property owned and business done by it within the county or municipality, to be determined in the same manner as otherwise provided in Code Section 48-7-31 for state income tax purposes.

(b) No individual whose gross income is less than \$7,500.00 in any year shall be subject to any tax imposed pursuant to this article for such year.

However, Section 48-7-149 states:

"when a county or a municipality within a county levies a local sales and use tax, neither the county nor any municipality within the county may levy the local income tax authorized by this article during the same period of time.

(a) Except as may be authorized by general law, no municipality may levy any tax upon an individual for the privilege of working within or being employed within the limits of the municipality.

(b) Nothing contained in this Code section shall be construed to prohibit a municipality, when otherwise authorized, from levying any form of tax being levied by any municipality in this state on January 1, 1980.

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48-7-147

As a condition precedent to the exercise of the authority to levy the local income tax authorized by this article for the year following the initial year in which it is levied, the governing authority of each county and municipality receiving any proceeds from the tax shall adjust its mill rate for ad valorem taxation so that the aggregate revenue derived from ad valorem taxation by the county or municipality shall not exceed the total amount received by it from ad valorem taxation for the previous year less an amount which equals the net proceeds derived by the county or municipality from the local income tax imposed pursuant to this article during the previous year.

The present State law seems to say there (3) things:

- (1) municipalities can levy a one-percent local income tax, subject to a referendum;
- (2) municipalities cannot levy such a tax if it has a local sales or use tax; and
- (3) as a condition of the authority to levy the local income tax, the governing authority receiving any proceeds from the tax shall adjust its mill rate for ad valorem taxation so that the aggregate revenue derived from the ad valorem tax shall not exceed the total amount received by it from ad valorem taxation from the previous year less an amount which equals the net proceeds derived by the municipality from the local income tax. (rollback of the millage rate)

All of these three sections speak to a "local income tax". It would seem that a local income tax would be a tax whereby all local residents living in a jurisdiction would pay a tax on their earnings, regardless of where they earned their salaries.

The City's Law Department has been instructed to address these legal issues. However, as a part of its Legislative request, the City should be prepared to ask the State exempt the City of Atlanta from these restrictions/prohibitions.

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During the staff's literature review, we discovered various cities that currently impose a local income earnings tax.

States where the collection of this tax is widespread seem to be New York, Pennsylvania, Kentucky and Ohio. It should be noted that these states tend to be (or were) highly industrialized.

Some of the cities that we looked more closely at were:

Birmingham, AL
New York, NY
Columbus, OH
St. Louis, MO
Cincinnati, OH
Pittsburgh, PA
Detroit, MI
Louisville, KY

In all cases, the authority to levy the tax was granted by the states and the cities chose to mandate it, without benefit of a referendum.

These taxes have been collected for a long period of time in these cities and they depend heavily on this source of revenue. The formula, however, vary from city to city

NEW YORK CITY, NY

1% from all employees
Annual revenue \$5.5 billion

CINCINNATI, OH.

All workers 2.1% regardless of age or income
Annual revenue \$403,704,000

LOUISVILLE, KY.

2.20% residents
1.45% non-residents
Annual revenue \$119,378,000

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PITTSBURGH, PA.

1% for all workers inside the City
Annual revenue \$48,800,000

BIRMINGHAM, AL.

1% on all workers who work inside the City
Annual revenue \$40 - 45 million

ST. LOUIS, MO.

1% Collected from all persons who either live or work in the city.
Annual revenue \$120,000,000

DETROIT, MI.

Various formula for employees (residents, non-residents and corporations)
Annual revenue \$384,800,000

COLUMBUS, OH.

2% collected from all workers (residents and non-residents)
Annual revenue \$334,000,000

The class of persons taxed fall into two categories: (1) All employees who work inside the city (residents or not); and (2) All employees who live or work in the city.

Only the City of St. Louis has a pure local income tax. This City taxes its residents. The other six (6) taxes the income.

PROJECTED REVENUE

According to the Metro Atlanta Chamber of Commerce, the estimated number of jobs in the City of Atlanta is 225,000, with an annual payroll of \$8,401,725,000.

Based on these figures, if the City were to levy a one-percent (1%) local income tax, it would yield approximately eighty-four million dollars (\$84,000,000). However, if it were controlled for low-income, in-city residents, exemptions, etc., the figure would be lower.

POSSIBLE PROBLEMS

If the legal hurdles are overcome, and the State does indeed grant the City authority to levy such a tax, there are remaining issues that the city will undoubtedly have to address.

- (1) There is a possibility that businesses might object to the idea. The collection of this tax would create additional administrative work for their payroll departments. If this tax were only levied upon nonresidents, it would further complicate matters.
- (2) The City could lose some businesses if feelings run strong enough. It might be equitable for the State to allow other metropolitan jurisdictions to levy this tax also. This could very well ease some of the interjurisdictional tensions, and slow the exodus of businesses from the City.
- (3) If residents are taxed, as opposed to income, there might be the feeling that they are being taxed twice. However, such sentiment does not seem to exist in cities that we surveyed.
- (4) If a referendum is required, the possibility exists that it might not pass.
- (5) A large proportion of the jobs in the City of Atlanta are service oriented, and thus; low salaried. This would be an added burden on those persons who are struggling to make ends meet.

TRENDS

According to Moving Beyond Sprawl, the Brookings Institute Center on Urban and Metropolitan Policy, 2000, nearly 350,000 new jobs have been added to the Atlanta region since 1990, however almost three-fourths of this job growth has occurred in the northern part of the region. There also seems that this job growth reveals a clear tilt towards the far north and northeast, and shows the movement of jobs outward as well as northward. Entry-level jobs are also moving outwards away from the core of the Atlanta region. The City of Atlanta accounts for only 15.8 entry jobs in the region. The report goes on to say, "Despite flourishing commercial areas in the north of the city, Atlanta is slipping overall in its share of jobs."

Incorporated Municipalities are granted access to certain sources of taxation and are responsible for providing services to their residents and to non-resident users. To the extent that those individuals and firms that contribute tax revenue are the same set of users, the principle contiguity is met. Contiguity requires that the individuals who receive the full complement of services are the same individuals who pay for those services.

Yet often this is not true. Large numbers of the workforce have retreated to bedroom communities. This is especially true in many of this nation's inner cities. These cities have resident populations (nighttime) much less than the persons it must serve during the day. These cities must provide such services as police protection, emergency medical services, wear and tear on streets and sidewalks, etc.

The City of Atlanta has a daytime population that is almost double its nighttime (or resident) population. It has become a challenge to provide these expanded services with its present revenues.

On Monday, October 15, the following two (2) pieces of legislation were introduced before the City Council. These are pieces that will ask the Georgia State Legislature for some economic relief.

01-R-1713 (1) A Resolution by Councilmembers C. T. Martin, "Able" Mable Thomas and Michael J. Bond authorizing the City of Atlanta to include in its 2002 Legislative Package a request for the Georgia State Legislature to enact a point of earnings tax for the City of Atlanta; said funds to be specifically for Public Safety purposes; and for other purposes.

01-R-1714 (2) A Resolution by Councilmember C. T. Martin authorizing the City of Atlanta to include in its 2002 Legislative Package a request for the Georgia State Legislature to authorize the City of Atlanta to establish toll ways within city limits; said funds generated shall be specifically for Public Safety purposes;

This paper will address the point of earnings issue only. A point of earnings tax, as used here, refers to a tax that is placed on a person's wages at the point of earning; i.e. (those persons actually working in the City of Atlanta)

Presently, there exists a body of State law that prohibits the City of Atlanta, or any other jurisdiction from imposing a local income tax.

COMPARATIVE ANALYSIS

<u>CITY</u>	<u>TAX RATE</u>	<u>ANNUAL REVENUE</u>
NEW YORK CITY, NY.	1% from all employees	\$5.5 billion
CINCINNATI, OH.	All workers 2.1% income	\$404 million
LOUISVILLE, KY.	2.20% residents 1.45% non-residents	\$119 million
PITTSBURGH, PA.	1% for all workers inside the City	\$49 million
BIRMINGHAM, AL.	1% on all workers who work inside the City	\$45 million
ST. LOUIS, MO.	1% Collected from all persons who either live or work in the city.	\$120 million
DETROIT, MI.	Various formula for employees (residents, non-residents and corporations	\$385 million
COLUMBUS, OH.	2% collected from all workers (residents and non-residents)	\$334 million

RECOMMENDATIONS

If this legislation is indeed made a part of the City's 2002 Legislative Package, the Council may wish to consider the following:

- (1) exempt wages under a certain threshold, i.e., \$25,000
- (2) tax earned income only;
- (3) allow exemptions up to \$750;
- (4) tax all employees who work in the city (residents and non-residents alike)
- (5) for the first (5) years, as a pilot project, restrict Public Safety budget to earning tax anticipated and/or collected the previous year; (provided tax is to be used for public safety purposes)
- (6) study the possibility of reducing property taxes by a certain amount, perhaps on a declining scale.

Household Income in 1997

	Median Household Income	People Below Poverty Level
Barrow	\$37,258	12.4%
Bartow	\$37,469	11.5%
Carroll	\$34,061	14.7%
Cherokee	\$54,423	5.9%
Clayton	\$38,366	13.5%
Cobb	\$52,924	6.6%
Coweta	\$44,493	10.4%
DeKalb	\$42,767	13.2%
Douglas	\$46,284	9.1%
Fayette	\$69,309	4.0%
Forsyth	\$60,250	5.1%
Fulton	\$39,047	18.3%
Gwinnett	\$56,082	5.6%
Henry	\$49,548	6.4%
Newton	\$37,415	13.1%
Paulding	\$44,575	7.7%
Pickens	\$36,883	12.2%
Rockdale	\$48,632	8.7%
Spalding	\$33,073	16.6%
Walton	\$36,324	13.6%

These estimates were released in November 2000.

Households by Income Group In Metro Atlanta Area, 2001 Projections

	Number	Percentage
Less than \$10,000 (1990 \$)	121.57	8.12%
\$10,000 - \$19,999	148.07	9.89%
\$20,000 - \$29,999	175.77	11.74%
\$30,000 - \$39,999	191.74	12.81%
\$40,000 - \$49,999	208.56	13.93%
\$50,000 - \$59,999	194.93	13.02%
\$60,000 - \$74,999	196.19	13.11%
\$75,000 - \$99,999	143.64	9.60%
\$100,000 - \$124,999	53.8	3.59%
\$125,000 - \$149,999	21.3	1.42%
\$150,000 and more	41.38	2.76%
Number of Households	1496.93	100%

Source: Woods & Poole Economics, 2001